

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 95-844-E - ORDER NO. 95-1315✓
JUNE 28, 1995

IN RE: Application of Duke Power) ORDER
 Company for Approval of) RULING ON
 Integrated Resource Plan (IRP).) PROPOSALS

 This matter comes before the Public Service Commission of South Carolina (the Commission) on the May 16, 1995 proposals of Duke Power Company (Duke) to test market and/or modify certain Demand Side Management Programs (DSM).

 First, Duke requests Commission approval to test market anticipated revisions in the high efficiency heat pump and central air conditioning payment program beginning on a specified date in the Anderson area only. According to the Company, this program encourages the installation of high efficiency heat pumps and air conditioners in the residential and commercial markets. The program currently offers a one time incentive to customers and heating and cooling equipment dealers upon installation of heat pumps and air conditioners which exceed federal efficiency standards. The size of the incentive increases with the size and efficiency of the equipment. Currently, the average incentive payment made under the program for residential heat pumps is about \$265.

 Duke proposes to reduce the incentive to \$100 for residential high efficiency heat pumps installed in existing residences in the

Anderson area. Only those residential customers in the Anderson area installing qualifying high efficiency heat pumps after a certain date would be impacted by the proposed change. Duke proposes to test market these changes to increase the effectiveness of the program. According to Duke, research has shown that the equipment dealer influences the customer's purchase decision, including the efficiency level of the equipment when the customer is replacing home heating and cooling equipment. Dealers have indicated the preference for products and services in addition to monetary incentives in lieu of monetary incentives alone according to Duke.

In the test area, Duke will pay \$100 to the equipment dealer for high efficiency heat pumps installed in existing residences in the Anderson area. In addition to the reduced incentive for the test area, the method of payment will be modified. According to Duke, the dealer will be offered the incentive in the form of cash or in the form of equipment or services which could include cooperative advertising, business equipment, metering and testing equipment, and training classes. Equipment and services which will enable the dealer to operate his or her business more effectively will be offered, according to Duke. Duke states that by test marketing these changes in the Anderson area prior to full scale implementation of program changes, Duke will be able to implement the final changes more quickly and smoothly.

Also, Duke requests Commission approval to suspend incentive payments under the High Efficiency Chillers Incentive Program. The program, which encourages the installation of high efficiency water

chillers in the non-residential market was originally approved by the Commission on April 16, 1992, in Docket No. 92-185-E. The program currently offers a one time incentive to commercial and industrial customers upon installation of water chillers which are more efficient than common design practice. The size of the incentive increases with the size and efficiency of the equipment.

Duke proposes to stop accepting applications after July 1, 1995 to require all approved equipment to be installed by July 1, 1996. Only those customers purchasing qualifying high efficiency chillers after July 1, 1995 would be impacted by the proposed change.

The DSM program evaluation results indicate that high efficiency equipment is becoming the norm, according to Duke. High efficiency water chillers have gained increasing market acceptance since the program's introduction in 1992. The use of chlorofluorocarbons in chillers is being phased out by the Clean Air Act Amendments of 1990. At the time Duke introduced the High Efficiency Chillers Incentive Program, manufacturers were just beginning to manufacture chillers which did not use chlorofluorocarbons. Duke's program was intended to encourage customers facing chiller purchase decisions to select high efficiency equipment which did not use these chemicals. Since these refrigerants will not be produced after 1995, virtually all chillers manufactured currently are designed for non-chlorofluorocarbon refrigerants.

Duke will continue to encourage customers to select high efficiency equipment and will monitor the type and cost of

equipment installed in the market to determine if incentive payments should be reinstated or modified in the future. Duke requests approval to suspend incentive payments in this program.

All parties to the Duke Power Company incentive regulation docket were requested to provide comments to the proposals by June 19, 1995, indicating their concerns. No responses have been received, therefore, these matters are available for Commission disposition.

The Commission has carefully examined both proposals and believes that both are consistent with the Integrated Resource Planning standards approved by this Commission in prior Orders. Duke Power may test market anticipated revisions as stated in the high efficiency heat pump and central air conditioning payment program in the Anderson area, only. Duke will test market this proposal and shall report the results to the Commission at appropriate intervals.

With regard to the suspension of incentive payments under the High Efficiency Chillers Incentive Program, apparently, high efficiency equipment is becoming the norm. High efficiency water chillers have gained increasing market acceptance since the program's introduction in 1992. The Commission agrees that suspension of incentive payments is consistent with Commission standards. Duke may stop accepting applications after July 1, 1995 and may require all approved equipment to be delivered by July 1, 1996.

The Commission finds both proposals consistent with the Company's IRP program originally filed under Docket No. 92-185-E.

Duke may, therefore, make the proposed changes at the present time but should report the results of both changes to the Commission at such intervals as may be appropriate. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)